

MSINGA MUNICIPALITY



ANNUAL REPORT 2012

INDEX

1	FINANCIAL STATEMENTS	3-39
2	AUDIT REPORT	40-44
3	MAYOR'S REPORT ON MUNICIPAL PERFORMANCE FOR 2011/2012 FINANCIAL YEAR	45- 83
4	RESPONSES TO AUDIT FINDINGS	84-85
5	Annual Performance Report 2011/2012	86-93

MSINGA MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 June 2012

In terms of section 126 (1) of the Municipal Finance Management Act ,
I am responsible for the annual financial statements, which are set out on
pages 5 to 39, and which I have signed on behalf of the municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed
in note 16 of these annual financial statements are within the upper limits of
the framework envisaged in Section 219 of the Constitution, read with the
Remuneration of Public Officer Bearers Act and the Minister of Provincial and
Local Government's determination in accordance with this Act.

MUNICIPAL MANAGER

31 August 2012
Date

Annual Financial Statements

for

Msinga Municipality

for the PERIOD ended 30 JUNE : 2012

Province: KwaZulu Natal

AFS rounding: *R (i.e. only cents)*

Contact Information:

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Msinga Municipality
Financial Statements
for the year ended 30 June 2012
General information

Members of the Council

FJ Sikhakane	Mayor
SG Masimula	Honourable Speaker
TL Kunene	Deputy Mayor
B Mthethwa	Member of the Executive Committee
RN Ngubane	Member of the Executive Committee
MPS Mshibe	Member of the Executive Committee
JM Ntuli	Member of the Executive Committee
B Dumakude	Member of the Executive Committee

Municipal Manager

FB Sithole

Chief Financial Officer

JS Pansegrouw

Grading of Local Authority

Grade 2

Auditors

Auditor-General South Africa

Bankers

ABSA Bank

Effective 1st July 2001

Msinga Municipality
Financial Statements
for the year ended 30 June 2012

General information (continued)

Registered Office: Tugela Ferry

Physical address: Main Road
Tugela Ferry

Postal address: Private Bag X530
Tugela Ferry
3010

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Msinga Municipality
FINANCIAL STATEMENTS
For the year ended 30 June 2012

Index	Page
Statement of Financial Position	8
Statement of Financial Performance	9
Statement of Changes in Net Assets	10
Cash Flow Statement	11
Summary of Significant Accounting Policies	12-21
Notes to the Annual Financial Statements	22-32
Appendix B: Analysis of Property, Plant and Equipment	33
Appendix C: Segmental Analysis of Property, Plant and Equipment	34
Appendix D: Segmental Statement of Financial Performance	35
Appendix E(1): Actual versus Budget (Revenue and Expenditure)	36
Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)	37
Appendix F: Disclosures of Grants and Subsidies in Terms of the Municipal Finance Management Act	38-39

MSINGA LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION

as at 30 June 2012

	<u>Note</u>	<u>2012</u> <u>R</u>	<u>2011</u> <u>R</u>
ASSETS			
Current assets		78 471 364	68 142 868
Cash and cash equivalents	1	76 032 161	63 588 202
Trade receivables from exchange transactions	2	106 435	109 544
Other receivables from non-exchange transactions	3	50 667	50 667
Other loans	4	33 267	33 267
VAT receivable	5	2 248 834	4 361 188
Non-current assets		86 247 850	68 778 024
Property, plant and equipment	6	86 247 850	68 778 024
Total assets		<u>164 719 214</u>	<u>136 920 892</u>
LIABILITIES			
Current liabilities		32 054 060	30 834 864
Trade and other payables	7	3 793 522	4 308 621
Unspent conditional grants and receipts	8	28 260 538	26 526 243
Total liabilities		<u>32 054 060</u>	<u>30 834 864</u>
Net assets		<u>132 665 154</u>	<u>106 086 028</u>
NET ASSETS			
		132 665 154	106 086 028
Accumulated surplus	9	132 665 154	106 086 028
Total net assets		<u>132 665 154</u>	<u>106 086 028</u>

MSINGA LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
as at 30 June 2012

REVENUE	<u>NOTE</u>	<u>2012</u>	<u>2011</u>
Property rates	11	441 045	441 045
Property rates - penalties imposed and collection charges			
Service charges	12	20 941	20 940
Rental of facilities and equipment		266 534	277 097
Interest earned - external investments	14	3 594 158	3 747 680
Government grants and subsidies	13	94 479 922	85 264 274
Other income		399 153	154 927
Total Revenue		99 201 753	89 905 963
EXPENDITURE			
Employee related costs	15	12 590 937	10 236 348
Remuneration of Councillors	16	7 525 425	6 467 130
Bad debts	2,4	467 605	454 056
Depreciation	6	8 229 569	6 267 910
Repairs and maintenance		8 426 157	4 295 596
Contracted services	19	1 393 758	1 728 765
Grants and subsidies paid	17	4 980 529	4 856 172
General expenses	18	29 008 648	33 796 960
Loss on disposal of property, plant and equipment			
Total Expenditure		72 622 628	68 102 937
Surplus (Deficit) for the year		26 579 125	21 803 026
Surplus (Deficit) for the year		26 579 125	21 803 026
Refer to Appendix E .1 for explanation of variances			

MSINGA LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NETT ASSETS
as at 30 June 2012

	Accumulated Surplus	Total
	R	R
<u>2012</u>		
Balance at 30 June 2011	106 086 028	106 086 028
Surplus for the year	26 579 126	26 579 126
Balance at 30 June 2012	<u>132 665 154</u>	<u>132 665 154</u>
<u>2011</u>		
Balance at 30 June 2010	84 283 001	84 283 001
Surplus for the year	21 803 027	21 803 027
Balance at 30 June 2011	<u>106 086 028</u>	<u>106 086 028</u>

**MSINGA LOCAL MUNICIPALITY
CASH FLOW STATEMENT
for the year ended 30 June 2012**

	<u>Note</u>	<u>2012</u> <u>R</u>	<u>2011</u> <u>R</u>
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from consumers and government		98 993 456	84 914 007
Cash paid to suppliers and employees		(64 440 556)	(71 820 940)
Cash generated from operations	20	34 552 900	13 093 067
Interest received	14	3 594 158	3 747 680
Net cash flows from operating activities		<u>38 147 058</u>	<u>16 840 747</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(25 703 099)	(19 868 435)
Purchase of intangible assets			
Proceeds from sale of fixed assets			
Net cash flows from investing activities		<u>(25 703 099)</u>	<u>(19 868 435)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised (repaid)			
Increase (decrease) in consumer deposits			
Increase (decrease) in short term loans			
Net cash flows from financing activities			
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>12 443 959</u>	<u>(3 027 688)</u>
Net increase / (decrease) in net cash and cash equivalents		12 443 959	(3 027 688)
Net cash and cash equivalents at beginning of period		63 588 202	66 615 890
Net cash and cash equivalents at end of period	1	<u>76 032 161</u>	<u>63 588 202</u>

Msinga Municipality
Notes to financial statements
for the year ending 30 June 2012

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued and must be applied for financial statements covering periods beginning on or after 1 April 2012. These standards have not been early adopted by the municipality:

Msinga Municipality
Notes to financial statements
for the year ending 30 June 2012

GRAP 21 Impairment of Non-Cash Generating assets
GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers)
GRAP 24 Presentation of Budget Information in Financial Statements

GRAP 26 Impairment of Cash Generating Assets
GRAP 103 Heritage Assets

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 25 Employee Benefits
GRAP 104 Financial Instruments
GRAP 105 Transfers of Functions between entities under common control
GRAP 106 Transfer of functions between entities not under common control
GRAP 107 Mergers
Interpretations of GRAP Standards approved that municipalities are required to apply:
GRAP 1 – Applying the probability test on initial recognition of exchange revenue
GRAP 2 – Changes in existing decommissioning , restoration and similar liabilities
GRAP 3 – Determining whether an Arrangement contains a Lease
GRAP 4 – Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds
GRAP 5 –Applying the restatement approach under the standard of GRAP on Financial Reporting in hyperinflationary economies
GRAP 6 – Loyalty programmes
GRAP 7 – The limit on a defined benefit asset, minimum funding requirements and their interaction
GRAP 8 – Agreements for the construction of assets from exchange transactions
GRAP 9 – Distribution of non- cash assets to owners
GRAP 10 – Assets received from customers
GRAP 13 – Operating leases – incentives
GRAP 14 – Evaluating the substance of transactions involving the legal form of a lease
GRAP 15 – Revenue – barter transactions involving advertising services

IPSAS to be applied:

IPSAS 20 - Related party disclosures as per note 15

2 PROPERTY, PLANT AND EQUIPMENT

2.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Msinga Municipality
Notes to financial statements
for the year ending 30 June 2012

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2.2 SUBSEQUENT MEASUREMENT -REVALUATION MODEL (LAND, BUILDINGS, and other Infrastructure assets)

Subsequent to initial recognition, land, buildings, and other infrastructure assets are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

2.3 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure		Other	
Roads and Paving	10-20	Buildings	30
Pedestrian Malls	30	Air Conditioners	7
Electricity	25	Vehicles and tractors	7
Water	20	Office equipment	5
Sewerage	20	Furniture and fittings	10
Community		Machinery and Equipm	7
Buildings	30	Tools	5
Recreational Facilities	10	Radio	5
		Computer equipment	3

Msinga Municipality
Notes to financial statements
for the year ending 30 June 2012

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

2.4 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

3 INVESTMENT PROPERTY

3.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

3.2 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. Land is not depreciated.

Msinga Municipality
Notes to financial statements
for the year ending 30 June 2012

4 FINANCIAL INSTRUMENTS

4.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

4.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

13

4.3 INVESTMENTS

Investments, which include short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

4.4 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current. An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

Msinga Municipality
Notes to financial statements
for the year ending 30 June 2012

4.5 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

4.6 CASH AND CASH EQUIVALENTS

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

5 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

14

6 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

7 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

8 PROVISIONS

Msinga Municipality
Notes to financial statements
for the year ending 30 June 2012

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

9 LEASES

9.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

15

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

9.2 MUNICIPALITY AS LESSOR

Msinga Municipality
Notes to financial statements
for the year ending 30 June 2012

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

10 REVENUE

10.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered, the value of which approximates the consideration received or receivable.

Service charges relating to electricity are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. The estimates of consumption between meter readings are based on normal consumption.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

16

10.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Msinga Municipality
Notes to financial statements
for the year ending 30 June 2012

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

10.3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

11 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

12 RETIREMENT BENEFITS

Msinga Municipality
Notes to financial statements
for the year ending 30 June 2012

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. Specific actuarial information in respect of individual participating municipalities is unavailable due to centralised administration of these funds. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

13 CONSTRUCTION CONTRACTS AND RECEIVABLES

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

14 IMPAIRMENT OF ASSETS

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

To the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

Msinga Municipality
Notes to financial statements
for the year ending 30 June 2012

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

	<u>2012</u>	<u>2011</u>
1 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents consist of the following:		
Cash on hand		
Cash at bank	11 824 897	2 659 431
Call deposits	64 207 263	60 928 771
	76 032 160	63 588 202
The Municipality has the following bank accounts:		
Current account (Primary bank account)		
Absa Bank - Newcastle Branch		
Account number - 4053635886		
Cash book balance at beginning of year	2 659 431	9 122 418
Cash book balance at end of year	11 824 897	2 659 431
Bank statement balance at beginning of year	8 849 954	11 005 466
Bank statement balance at end of year	18 874 136	8 849 954
Bank statement balance at end of year		

2 Trade receivables from exchange transactions

	Gross Balance	Provision for doubtful debts	Net balance
Balances at 30 June 2012			
Service debtors			
Rates	6 831 436	6 831 436	0
Electricity			
Other	272 847	166 412	106 435
Total	7 104 283	6 997 848	106 435
Balances at 30 June 2011			
Service debtors			
Rates	6 391 971	6 391 971	0

Msinga Municipality
Notes to financial statements
for the year ending 30 June 2012

Electricity			
Other	247 816	138 272	109 544
Total	6 639 787	6 530 243	109 544

Rates: Ageing			
Current (0 - 30 days)		36 754	36 754
31 - 60 days		36 754	36 690
61 to 90 days		36 754	36 312
91 - 120 days		36 653	36 182
121 days and over		6 684 521	6 246 033
Total		6 831 436	6 391 971

	<u>2012</u>	<u>2011</u>
Electricity and other : Ageing		
Current (0 - 30 days)	(48 423)	(43 341)
31 - 60 days	2 669	2 571
61 to 90 days	2 669	2 225
91 - 120 days	2 602	2 151
121 days and over	313 329	284 210
Total	272 846	247 816

Summary of debtors by customer classification

	Domestic and other Consumers	Industrial / Commercial	Government
Balances at 30 June 2012			
Current (0 - 30 days)	(43 994)		32 325
31 - 60 days	7 098		32 325
61 to 90 days	7 098		32 325
91 - 120 days	6 930		32 325
121 days and over	1 008 354		5 989 496
Total	985 486		6 118 796

	Domestic and other Consumers	Industrial / Commercial	Government
Balances at 30 June 2011			
Current (0 - 30 days)	(38 913)		32 325
31 - 60 days	6 936		32 325
61 to 90 days	6 213		32 325
91 - 120 days	6 008		32 325
121 days and over	928 647		5 601 596
Total	908 891		5 730 896

3 Other receivables from non - exchange transactions

Other	50 667	50 667
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Msinga Municipality
Notes to financial statements
for the year ending 30 June 2012

Total other receivables						50 667	50 667
4 Long Term Receivables							
Other loans						33 267	33 267
Sundry loans						972 193	972 193
Provision Bad Debts						(972 193)	(972 193)
						33 267	33 267
Less: Current portion transferred to current receivables						(33 267)	(33 267)
						0	0
Sundry Loans							
This interest free loan refers to grants paid by Central Government to the District Municipality on behalf of Msinga Municipality as well as amounts due by Uthekela Water (Pty) Ltd.							
There is no fixed repayment period. Payments made by the District Municipality on behalf of Msinga are set off against the District Municipality loan.							
						<u>2012</u>	<u>2011</u>
5 VAT							
VAT receivable						2 248 834	4 361 188
						2 248 834	4 361 188
VAT is payable on the receipts basis							
6 Property, Plant and Equipment							
Reconciliation of carrying value	Land and buildings	Infrastructure	Community	Other	Total		
Carrying value at 1 July 2011	14 349 415	49 512 015	0	4 916 594	68 778 024		
Cost	16 977 727	62 746 477	4 622	15 751 582	95 480 408		
Revaluation							
Accumulated depreciation							
- Cost	(2 628 312)	(13 234 462)	(4 622)	(10 834 988)	(26 702 384)		
- Revaluation							
Acquisitions	141 379	22 348 542	1 381 705	1 831 473	25 703 099		
Transfer	280 256	(2 526 809)	2 243 957	2 596	0		
Capital under construction							
Increases (decreases) in revaluation							
Depreciation							
- transfer	51 290	123 419	(114 296)	(64 119)	(3 706)		
- based on cost	(607 473)	(6 136 911)	(240 022)	(1 245 162)	(8 229 568)		
- based on revaluation							
Carrying value of disposals							
Cost/revaluation							
Accumulated							

Msinga Municipality
Notes to financial statements
for the year ending 30 June 2012

depreciation					
Carrying value at 30 June 2012	14 214 867	63 320 256	3 271 344	5 441 382	86 247 849
Cost	17 399 362	82 568 210	3 630 284	17 585 651	121 183 507
Revaluation					
Accumulated depreciation					
- Cost	(3 184 495)	(19 247 954)	(358 940)	(12 144 269)	(34 935 658)
- Revaluation					
Reconciliation of carrying value	Land and buildings	Infra-structure	Community	Other	Total
Carrying value at 1 July 2010	14 777 175	35 917 264	0	4 483 060	55 177 499
Cost	16 805 000	44 663 029	4 622	14 139 322	75 611 973
Revaluation					
Accumulated depreciation					
- Cost	(2 027 825)	(8 745 765)	(4 622)	(9 656 262)	(20 434 474)
- Revaluation					
Acquisitions	172 727	18 083 448		1 612 260	19 868 435
Capital under construction					
Increases (decreases) in revaluation					
Depreciation					
- based on cost	(600 487)	(4 488 697)		(1 178 726)	(6 267 910)
- based on revaluation					
Carrying value of disposals					
Cost/revaluation					
Accumulated depreciation					
Carrying value at 30 June 2011	14 349 415	49 512 015	0	4 916 594	68 778 024
Cost	16 977 727	62 746 477	4 622	15 751 582	95 480 408
Revaluation					
Accumulated depreciation					
- Cost	(2 628 312)	(13 234 462)	(4 622)	(10 834 988)	(26 702 384)
- Revaluation					

Refer to Appendix B for more detail on property, plant and equipment

	<u>2012</u>	<u>2011</u>
7 Trade and other payables		
Trade creditors	769 629	2 915 914
Payments received in advance	1 525 904	
Retention	985 674	1 049 793

Msinga Municipality
Notes to financial statements
for the year ending 30 June 2012

Staff leave	497 553	284 700
Deposits other	670	670
VAT	14 092	57 544
	<u>3 793 522</u>	<u>4 308 621</u>

8 Unspent Conditional Grants and Receipts

3.1 Conditional grants from other spheres of government(see note 20) 28 260 538 26 526 243

3.2 Other conditional receipts
Public contributions

Total conditional grants and receipts	28 260 538	26 526 243
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These amounts are invested in a ring - fenced investment until utilised.

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA , ACT 56 OF 2003

Description	Unspent balance
Grants - general	1 178 104
Grant - construction of shelters	243 769
Int Dev I - Structure Grant	100 936

	<u>2012</u>	<u>2011</u>
MIG-Roads	2 293 368	
Transition grant	2 518 464	
Tourism grant	1 222 159	
Municipal support grant	1 647 027	
Grants - general	3 450 000	
Grant -Integrated development plan	217 120	
Spacial dev Framework	100 000	
Implementation of M F M Act	145 000	
Inter departmental monitoring grant	100 000	
Grant - LUMS	237 223	
Grant - Project Consolidate	1 847 347	
Grant - community development workers	128 890	
Housing grant - Pomeroy project	108 677	
Grant - LED capacity building	246 604	
Internal control & Audit committee	21 802	
Housing grant - Kwalatha project	(23 820)	
Resol phase 1	145 000	
Info Investment programme	200 000	
Sportsfields	592 192	
E - Learning	209 045	
Electrification programme	8 628 631	
Intern corporate	36 000	
Thusong Centres	1 167 000	
Sweet potato project	<u>1 500 000</u>	

Msinga Municipality
Notes to financial statements
for the year ending 30 June 2012

28 260 538

9 ACCUMULATED SURPLUS

The following internal reserves are ring fenced within the Accumulated Surplus :

Government Grant Reserve

Balance at 30 June 2011	66 390 845	54 245 373
Capital grants used to finance Property, Plant and Equipment	23 745 185	18 221 182
Offsetting of Depreciation	<u>(7 808 661)</u>	<u>(6 075 710)</u>
Balance at 30 June 2012	82 327 369	66 390 845
Other surplus funds	50 337 785	39 695 183
Total Accumulated Surplus	<u>132 665 154</u>	<u>106 086 028</u>

10 Call Investment Deposit

Other deposits	64 207 263	60 928 771
Less: Short term investments transferred to Cash and Cash Equivalents	<u>(64 207 263)</u>	<u>(60 928 771)</u>
	0	0

	<u>2012</u>	<u>2011</u>
11 Property Rates		
Actual		
Residential		
Commercial		
State		
Other	441 045	441 045
Total assessment rates	<u>441 045</u>	<u>441 045</u>
Valuations		
Residential		
Commercial		
State		
Municipal		
Other		
Total property valuations		<u>0</u>
12 Service Charges		
Refuse removal	20 941	20 940
	<u>20 941</u>	<u>20 940</u>

Msinga Municipality
Notes to financial statements
for the year ending 30 June 2012

13	Government Grants and Subsidies		
	Equitable share	58 981 000	46 328 262
	Skills levy	29 917	23 540
	Conditional grants utilised to finance property, plant and equipment	23 745 185	18 221 182
	Conditional grants utilised to finance operating expenses	11 723 820	20 691 290
		<u>94 479 922</u>	<u>85 264 274</u>
	Refer Appendix F		
14	Interest		
	Investment income	3 278 492	3 435 298
	Interest on current account	315 666	312 382
		<u>3 594 158</u>	<u>3 747 680</u>
		<u>2012</u>	<u>2011</u>
15	Employee Related Costs		
	Employee related costs - salaries and wages	9 757 257	7 892 770
	Employee related costs - contributions to UIF, pension and medical costs	1 033 292	869 842
	Travel, vehicle, accommodation, subsistence and other allowances	759 217	658 349
	Housing benefits and allowances	6 087	463
	Overtime payments	230 683	155 175
	Performance bonus	351 629	
	Annual Bonus	452 772	659 749
	Sub-total	<u>12 590 937</u>	<u>10 236 348</u>
	Less: Employee costs allocated to Property, Plant and Equipment		
	Less: Employee costs included in other expenses		
	Total employee related costs	<u>12 590 937</u>	<u>10 236 348</u>
	There were no advances to employees. Loans to employees are set out in note 13.		
	Remuneration of the Municipal Manager		
	Annual remuneration	634 794	550 493
	Performance bonus	253 227	
	Car allowance	120 000	120 000
	Contributions to Medical, Pension and UIF Funds	41 040	41 040
		<u>1 049 061</u>	<u>711 533</u>
	Remuneration of the Chief Financial Officer		
	Annual remuneration	<u>723 630</u>	<u>644 868</u>
	Performance bonus		
	Car allowance		
	Remuneration of other managers		
	2012		
		Corporate Services	Engineering Services
	Annual remuneration	375 128	351 980
	Performance bonus	9 482	234 498
			Director Develop/plan
			400 499
			317 497

Msinga Municipality
Notes to financial statements
for the year ending 30 June 2012

Car allowance		84 000	72 000	52 800
		468 610	658 478	770 796
	2011	Corporate Services	Engineering Services	Director Development
	Annual remuneration	353 627	331 806	377 544
	Performance bonus			
	Car allowance	84 000	72 000	52 800
		437 627	403 806	430 344
16	Remuneration of Councillors			
	Mayor		326 869	311 304
	Deputy Mayor		263 845	247 524
	Speaker		263 845	247 524
	Executive committee members		1 750 263	1 138 620
	Councillors		4 920 603	4 522 158
			7 525 425	6 467 130
In - kind benefits				
The Mayor and the Speaker are provided with an office and secretarial support at the cost of Council.				
The Mayor has use of a Council owned vehicle for official duties				
			<u>2012</u>	<u>2011</u>
17	Grants and Subsidies Paid			
	ESCOM power lines			(19 694)
	Department of education			228 723
	Free basic services		4 980 529	4 647 144
			4 980 529	4 856 173
18	General Expenses		<u>2012</u>	<u>2011</u>
	Advertising		252 271	417 223
	Audit fees		408 436	635 075
	Audit: internal		749 831	374 000
	Admin fees		38 745	55 607
	Bank charges		233 361	222 739
	Awareness programme		1 454 569	1 126 659
	Conference and seminars		87 436	118 775
	Aids awareness		93 048	85 874
	Disaster management		85 992	68 143
	Electricity		341 723	330 597
	Entertainment		167 110	108 905
	Insurance		441 250	368 517
	Indigent support		108 395	101 429

Msinga Municipality
Notes to financial statements
for the year ending 30 June 2012

Legal fees	32 399	52 610
Licences	71 598	86 806
Emergency fund	1 403 450	1 319 689
Materials	23 005	24 114
Meetings/training	274 423	138 372
Pauper burials	185 792	191 060
Printing & stationary	465 136	341 027
Rent: offices	198 840	74 518
Security services	1 447 533	852 881
Special projects	1 705 934	2 570 214
Youth projects	1 220 864	1 059 844
Sport and recreation	422 418	335 405
Subsistence & travelling	1 448 277	972 888
Subscriptions	123 755	18 500
Sundries	30 478	7 645
Ploughing cost	520 430	219 971
Telephones	626 127	692 221
Agricultural project	229 163	352 047
Transport/vehicle cost	3 241 016	2 044 515
Valuation expenses	63 158	342 806
Ward committees	40 564	53 014
Water	93 057	30 973
CDW expenses	24 405	
Kwalatha housing expenses		347 287
Msig expenses	245 751	215 862
Town establishment expenses		389 025
Idp expenses	21 930	1 335
Fmg expenses	713 235	405 761
Rural elec plan	7 992 180	3 212 753
Tourism project	14 871	
Internal audit grant expenditure	128 198	
	<u>2012</u>	<u>2011</u>
E-learning project expenses		15 053
Map expenses	391 877	247 531
Small town rehab	453 735	8 996 280
Disaster fund housing		976 170
T/ferry street lighting	275 784	1 970 947
Pomeroy street paving	25 850	1 149 064
LED capacity building	178 396	
Contribution leave provision	212 853	75 228
	<u>29 008 649</u>	<u>33 796 956</u>
19 Contracted Services		
Management services	1 339 492	1 640 876

Msinga Municipality
Notes to financial statements
for the year ending 30 June 2012

	Professional fees	54 265	87 888
		<u>1 393 757</u>	<u>1 728 764</u>
20	Cash Generated by Operations		
	Surplus (deficit) for the year	26 579 125	21 803 027
	Adjustment for :		
	Prior year	3 708	
	Depreciation	8 229 566	6 267 910
	Gain on disposal of property, plant and equipment		
	Contributions to provisions- non-current		
	Contributions to provisions - current		
	Contributions to bad debt provision	467 605	454 056
	Investment income	(3 594 158)	(3 747 680)
	Interest paid		
	Operating surplus before working capital changes	<u>31 685 846</u>	<u>24 777 313</u>
	(Increase) decrease in consumer debtors	(464 496)	(447 758)
	(Increase) decrease in other debtors		349 064
	Increase (decrease) in conditional grants and receipts	1 734 295	(12 696 899)
	Increase (decrease) in creditors	(515 099)	2 253 653
	(Increase) decrease in current portion of long term debtors		
	Increase (decrease) in VAT	2 112 354	(1 142 307)
	Increase (decrease) in provisions		
		<u>34 552 900</u>	<u>13 093 066</u>
21	Cash and Cash Equivalents		
	Cash and cash equivalents included in the cash flow statement comprise the following amounts:		
	Bank balances and cash	11 824 897	2 659 431
	Call deposits	64 207 263	60 928 771
		<u>76 032 160</u>	<u>63 588 202</u>
22	Additional Disclosures in Terms of Municipal Finance Management Act		
	22.1 Audit fees		
	Opening balance		
	Current year audit fee	408 436	635 075
	Amount paid current year	408 436	635 075
	Amount paid - previous years		
	Balance unpaid (included in creditors)	<u>0</u>	<u>0</u>
	22.2 VAT		
	Opening balance	4 361 188	3 218 881
	Current year output VAT	(93 136)	(57 543)
	Current year input VAT	7 427 227	4 418 731
	Amount due by SARS - V A T Audit	(9 446 445)	(3 218 881)
	Amount due by SARS - included in debtors	<u>2 248 834</u>	<u>4 361 188</u>
	All VAT returns have been submitted by the due date.		

2012

2011

Msinga Municipality
Notes to financial statements
for the year ending 30 June 2012

22.3 PAYE, UIF and Skills levy

Opening balance		
Current year payroll deductions and Council UIF/Skills contributions	2 448 403	2 017 530
Amount paid - current year	2 448 403	2 017 530
Amount paid - previous years		
Balance unpaid (included in creditors)	0	0

22.4 Pension; UIF and medical aid deductions

Opening balance		
Current year payroll deductions and Council contributions	1 757 749	1 411 837
Amount paid - current year	1 757 749	1 411 837
Amount paid - previous years		
Balance unpaid (included in creditors)	0	0

23 Capital Commitments

Commitments in respect of capital expenditure:

- approved but not yet contracted for		
Infrastructure	26 665 000	21 981 000
Other	4 400 000	4 600 000
	31 065 000	26 581 000

This expenditure will be financed from

- capital replacement reserve		
- government grants	26 665 000	21 981 000
- own resources	4 400 000	4 600 000
	31 065 000	26 581 000

24 RETIREMENT BENEFIT INFORMATION

Certain Councillors and Certain employees belong to defined benefit retirement funds administered by the Natal Joint Municipal Pension Fund. These funds are subject to a triennial actuarial valuation. The last valuation was performed on 1 July 2009. The Actuary advised that the fund is 96% funded and at date no actual action is required to rectify the situation

24.1 SUPERANNUATION FUND

The Actuary advised that the financial position has deteriorated from previous statutory valuation. The Committee felt that the investment markets were too volatile and the future of the Fund too uncertain (following a discussion of a possible merger with the Retirement Fund) to cease the surcharge at that point. The surcharge of 7% of pensionable salaries has therefore been applied.

24.2 RETIREMENT FUND

The actuary has advised the following

24.2.1. The result of the latest valuation showed a deficit in the fund.

24.2.2. The employers and members are paying a surcharge of 17% of pensionable salaries, which was expected to fund the deficit over a five year period

24.3 Provident Fund

Msinga Municipality
Notes to financial statements
for the year ending 30 June 2012

The actuary is satisfied that the assets of the Fund are appropriate given the liabilities

25	Unauthorised Expenditure	
	Opening balance	2 936 905
	Add: Unauthorised expenditure current year	8 489 138
	Less: Amounts condoned	(2 936 905)
	Closing Balance	8 489 138
26	Irregular Expenditure	
	Opening balance	4 362 604
	Add: Irregular expenditure current year	49 855
	Less: Amounts condoned	(4 362 604)
	Closing Balance	49 855
27	Correction of prior period error in presentation in the Financial Statements	
	During the current financial year, the Municipality corrected errors in presentation in the financial statements.	
	The comparative amounts have been appropriately restated as follows:	
	Note 6 - Property, Plant and Equipment	
	Land and Buildings carrying value previously disclosed	14 349 415
	Revised classification	331 546
	Revised Land and Buildings carrying value	<u>14 680 961</u>
	Infrastructure carrying value previously disclosed	49 512 015
	Revised classification	(2 403 390)
	Revised Infrastructure carrying value	<u>47 108 625</u>
	Community assets carrying value previously disclosed	0
	Revised classification	2 129 661
	Revised Community assets carrying value	<u>2 129 661</u>
	Other assets carrying value previously disclosed	4 916 594
	Revised classification	(61 523)
	Revised Other assets carrying value	<u>4 855 071</u>
28	Actual versus Budget(Revenue and Expenditure) for the Year ended 30 June 2012	
	See Appendix E(1) for detail	
29	Actual versus Budget(Acquisition of Property, Plant and Equipment) for the Year ended 30 June 2012	
	See Appendix E(2) for detail	
30	Government and Other Grants	
	See Appendix F for detail	

APPENDIX B
MSINGA LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2012

	Cost/ Revaluation				Accumulated Depreciation				Carrying	Budget	
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	Value	Additions 2012
Land and Buildings											
Land											
Buildings	17 257 983	141 379			17 399 362	2 577 022	607 473		3 184 495	14 214867	
	17 257 983	141 379	0	0	17 399 362	2 577 022	607 473	0	3 184 495	14 214867	0
Infrastructure											
Roads	60 219 668	22 348 542			82 568 210	13 111043	6 136 911		19 247954	63 320256	
	60 219 668	22 348 542	0	0	82 568 210	13 111043	6 136 911	0	19 247954	63 320256	0
Community Assets											
Sports facilities	2 248 579	1 381 705			3 630 284	118 918	240 022		358 940	3 271 344	
	2 248 579	1 381 705	0	0	3 630 284	118 918	240 022	0	358 940	3 271 344	
Leased Assets											
Infrastructure											
Other Assets											
Refuse disposal site	1 531 890				1 531 890	1 531 890			1 531 890	0	
Taxi rank	948 004				948 004	948 004			948 004	0	
Fencing	584 030				584 030	584 030			584 030	0	
Air conditioners	134 252				134 252	134 252			134 252	0	
Office and computer equipment	2 393 948	109 464			2 503 412	1 908 642	165 849		2 074 491	428 921	
Furniture and fittings	998 155	342 804			1 340 959	535 336	100 043		635 379	705 580	
Machinery and equipment	167 230				167 230	167 230			167 230	0	
Cell phones & radios	2 151				2 151	2 151			2 151	0	
Motor vehicles	8 994 518	1 379 205			10 373 723	5 087 572	979 270		6 066 842	4 306 881	
	15 754 178	1 831 473	0	0	17 585 651	10 899107	1 245 162	0	12 144269	5 441 382	0
Total	95 480 408	25 703 099	0	0	121 183507	26 706090	8 229 568	0	34 935658	86 247849	0

APPENDIX C

MSINGA LOCAL MUNICIPALITY : SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2012

	Opening Balance	Additions	Cost/ Revaluation Under Construction	Disposals	Closing Balance	Opening Balance	Accumulated Depreciation			Closing Balance	Carrying Value
							Additions	Disposals			
Executive and Council	4 151 227	1 784 345			5 935 572	2 474 914	416 601			2 891 515	3 044 057
Finance and Admin	17 380 729	163 475			17 544 204	3 362 177	631 399			3 993 576	13 550 628
Planning and Development						0				0	
Health						0				0	
Community & Social Services	3 141 331				3 141 331	1 394 900	150 493			1 545 393	1 595 938
Housing						0				0	
Public Safety	25 720				25 720	13 017	1 602			14 619	11 101
Sport and Recreation						0				0	
Environmental Protection						0				0	
Waste Management	2 320 185				2 320 185	2 320 184				2 320 184	1
Road Transport	68 423 033	23 755 279			92 178 312	17 108 280	7 026 690			24 134 970	68 043 342
Other	38 183				38 183	32 618	2 781			35 399	2 784
	0				0						
	95 480 408	25 703 099	0	-	121 183 507	26 706 090	8 229 566	-		34 935 656	86 247 851

APPENDIX D

MSINGA LOCAL MUNICIPALITY : SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

2011	2011	2011		2012	2012	2012
Actual Income R	Actual Expenditure R	Surplus/ (Deficit) R		Actual Income R	Actual Expenditure R	Surplus/ (Deficit) R
89 536 943	39 923 139	49 613 804	Executive and Council	98 892 608	38 173 627	60 718 981
251 092	8 739 361	(8 488 269)	Finance and Admin	220 655	7 161 595	(6 940 940)
	4 089 062	(4 089 062)	Planning and Development		3 510 161	(3 510 161)
	276 935	(276 935)	Health		278 840	(278 840)
96 988	2 202 178	(2 105 190)	Community & Social Services	67 550	2 805 777	(2 738 227)
	1 320 131	(1 320 131)	Public Safety		1 637 674	(1 637 674)
20 940	534 153	(513 213)	Waste Management	20 940	638 333	(617 393)
	11 005 131	(11 005 131)	Road Transport		17 922 218	(17 922 218)
	12 846	(12 846)	Other		494 403	(494 403)
						0
<u>89 905 963</u>	<u>68 102 936</u>	<u>21 803 027</u>	Sub - total	<u>99 201 753</u>	<u>72 622 628</u>	<u>26 579 125</u>

APPENDIX E (1)

MSINGA LOCAL MUNICIPALITY : ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2012

REVENUE	2012 Actual R	2012 Budget R	2012 Variance R	2012 Variance %
Property rates	441 045	500 000	(58 955)	-13%
Property rates - penalties imposed and collection charges			0	
Service charges	20 940	17 500	3 440	16%
Rental of facilities and equipment	266 534	33 000	233 534	88%
Interest earned - external investments	3 594 158	3 650 000	(55 842)	-2%
Government grants and subsidies	94 479 922	94 979 000	(499 078)	-1%
Other income	399 153	122 500	276 653	
Total Revenue	99 201 752	99 302 000	(100 248)	
EXPENDITURE				
Employee related costs	12 590 937	13 578 866	(987 929)	-8%
Remuneration of Councillors	7 525 425	7 450 547	74 878	1%
Bad debts	467 605	450 000	17 605	4%
Collection costs			0	
Depreciation	8 229 569	7 909 258	320 311	4%
Repairs and maintenance	8 426 157	6 255 000	2 171 157	26%
Interest paid			0	
Bulk purchases			0	
Contracted services	1 393 758	830 934	562 824	40%
Grants and subsidies paid	4 980 529	5 721 269	(740 740)	-15%
General expenses	29 008 647	30 005 859	(997 212)	-3%
Loss on disposal of property, plant and equipment				
Total Expenditure	72 622 627	72 201 733	420 894	
Surplus (Deficit) for the year	26 579 125	27 100 267	(521 142)	-2%

APPENDIX E (2)

MSINGA LOCAL MUNICIPALITY : ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2012

	2012 Actual	2012 Under Construction	2012 Total Additions	2012 Budget	2012 Variance	2012 Variance	Explanation of significant variances
	R	R	R	R	R	%	
Land and Buildings							
Land							
Buildings	141 379		141 379	2 100 000	-1 958 621	100	
	141 379		141 379	2 100 000	-1 958 621		
Infrastructure							
Roads	22 348 542		22 348 542	21 981 000	367 542	2	
Electricity reticulation			0		0		
	22 348 542	0	22 348 542	21 981 000	367 542		
Community Assets							
Sports fields	1 381 705		1 381 705	0	1 381 705		
	1 381 705	0	1 381 705	0	1 381 705		
Other Assets							
Refuse transfer station							
Office equipment	109 464		109 464	500 000	-390 536	(78)	
Furniture and fittings	342 804		342 804	500 000	-157 196	(31)	
Bins and containers			0		0		
Motor vehicles	1 379 205		1 379 205	1 500 000	-120 795	(8)	
Computer equipment			0		0		
	1 831 473		1 831 473	2 500 000	-668 527		
Total	25 703 099	0	25 703 099	26 581 000	-877 901	(3)	

APPENDIX F

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA , ACT 56 OF 2003

Description	Name of organ of State	Unspent balance at 1 July 2011	Received 2011/2012	Expenditure 2011/2012	Transfer 2011/2012	Unspent balance at 30 June 2012	Grants delayed/ withheld	Reason for delaying/ withholding funds
		R	R	R	R	R	R	
Grants - general	Unspecified	322 179	1 200 000		(344 075)	1 178 104		
Grant - construction of shelters	District Council	554 034			(310 265)	243 769		
Int Dev I - Structure Grant	Provincial Government	100 936				100 936		
MIG-Roads		2 473 341	21 981 000	22 160 973		2 293 368		
Transition grant		2 518 464				2 518 464		
Tourism grant		897 670	354 300	29 811		1 222 159		
Municipal assistance programme		0				0		
Municipal support grant		2 038 904		391 877		1 647 027		
Grants - general		3 450 000				3 450 000		
Grant -Integrated development plan		239 050		21930		217 120		
Spatial dev Framework		100 000				100 000		
Finance Management grant		1 000	1 450 000	1 451 000		0		
Implementation of M F M Act		145 000				145 000		
Equitable share		0				0		
Inter departmental monitoring grant		100 000				100 000		
Grant - LUMS		237 223				237 223		
Grant - Project Consolidate		1 847 347				1 847 347		
Grant - community development workers		128 890				128 890		
MSIG grant		0	790 000	790 000		0		
Housing grant - Pomeroy project		108 677				108 677		
Grant - LED capacity building		425 000		178 396		246 604		

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA , ACT 56 OF 2003 (continue)

Description	Name of organ of State	Unspent balance	Received	Expenditure	Transfer	Unspent balance	Grants delayed/	Reason for
		at 1 July 2011	2011/2012	2011/2012	2011/2012	at 30 June 2012	withheld	delaying/
		R	R	R	R	R	R	withholding
								funds
Lottery- Pomeroy sport field		(0)				(0)		
Internal control & Audit committee		150 000		128 198		21 802		
Housing grant - Kwalatha project		(23 820)				(23 820)		
Resol phase 1		145 000				145 000		
Info Investment programme		200 000				200 000		
Sports fields		436 464	1 725 000	1 569 272		592 192		
E - Learning		209 045				209 045		
Small town rehab		101 028		755 368	654 340	0		
Electrification programme		9 620 811	7 000 000	7 992 180		8 628 631		
Intern corporate			36 000			36 000		
Thusong Centres			1 167 000			1 167 000		
Sweet potato project			1 500 000			1 500 000		
		26 526 243	37 203 300	35 469 005	0	28 260 538		

REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND THE COUNCIL ON MSINGA MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of the Msinga Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2012, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting Officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2011 (Act No. 6 of 2011) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the municipality's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Msinga Municipality as at 30 June 2012, and its financial performance and cash flows for the year then ended in accordance with SA Standards of GRAP and the requirements of the MFMA and DoRA.

Emphasis of matter

7. I draw attention to the matter below. My opinion is not modified in respect of this matter:

Unauthorised expenditure

8. As disclosed in note 25 to the financial statements, the municipality incurred unauthorised expenditure amounting R8,489 million, due to overspending of amounts in certain votes of the approved budget.

Additional matter

9. I draw attention to the matter below. My opinion is not modified in respect of this matter:

Unaudited supplementary schedules

10. The supplementary information set out on pages xx to xx do not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

11. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

12. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages xx to xx of the annual

report.

13. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury annual reporting principles and whether the reported performance is consistent with the planned development objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for managing programme performance information*.

The reliability of the information in respect of the selected development objectives is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

14. The material findings are as follows:

Usefulness of information

Presentation

15. Improvement measures in the annual performance report for 100% of the planned targets not achieved were not disclosed, as required by section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA). This was due to inadequate internal policies and procedures over the processes pertaining to the reporting of performance information.

Consistency

16. A total of 55% of the planned objectives, 70% of indicators and 82% of targets were not consistent with the objectives, indicators and targets as per the approved annual performance report relative to the integrated development plan (IDP). This is due to the lack of understanding of the requirements of section 41(1)(c) of the MSA, which requires that the IDP form the basis for the annual report.

Additional matter

17. I draw attention to the following matter below. This matter does not have an impact on the predetermined objectives audit findings reported above.

Achievement of planned targets

18. Of the total number of 48 targets planned for the year, 12 targets were not achieved, representing 25% of the total planned targets. This was mainly due to the fact that indicators and targets were not suitably developed during the strategic planning process.

Compliance with laws and regulations

19. I performed procedures to obtain evidence that the municipality has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA are as follows:

Audit committee

20. The audit committee did not substantially perform its functions for the year, as required by section 166 of the MFMA.

Internal audit

21. The internal audit unit did not substantially perform its functions for the year, as required by section 165 of the MFMA.

Budgets

22. Expenditure was incurred in excess of the amounts provided for in certain votes of the approved budget, contrary to the requirements of section 15 of the MFMA.

Procurement and contract management

23. Awards were made to providers whose members were persons in service of other state institutions, contrary to the requirements of regulation 44 of the Municipal Supply Chain Management Regulations of 30 May 2005.

Annual financial statements

24. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements of disclosure items identified by the auditors were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

INTERNAL CONTROL

25. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that

resulted in the findings on the performance report and the findings on compliance with laws and regulations included in this report.

Leadership

26. Management did not exercise effective oversight responsibility over policies and procedures regarding budgets, supply chain and performance management to enable and support the understanding and execution of internal control objectives, processes and responsibilities.

Financial and performance management

27. Management did not implement effective controls over the preparation, review and reconciliation of financial records as well as the reporting of performance against predetermined objectives. This is evidenced by the material corrections in the financial statements and material findings on the usefulness of the annual performance report.

Governance

28. The municipality did not have an effective and functioning audit committee throughout the financial year under review. This also impacted on their oversight role over the internal audit function.

Pietermaritzburg

30 November 2012



AUDITOR - G E N E R A L
S O U T H A F R I C A

Auditing to build public confidence

**BUDGET SPEECH FOR THE MSINGA LOCAL MUNICIPALITY
PRESENTED TO THE COMMUNITY OF MSINGA BY THE
HONOURABLE MAYOR COUNCILLOR F.J. SIKHAKHANE: 2011/2012
FINANCIAL YEAR**

VENUE : TUGELA FERRY PACKHOUSE

DATE : 2012/06/14

TIME : 10H00

1. OBSERVATION OF PROTOCOL

- The Honourable Speaker – Programme Director
- Mayors, Deputy Mayors and Councillors of all Municipalities
- Our esteemed Amakhosi present and council
- Heads of various spheres of government and their supports
- Ministers of religious and all church members
- CDW's present
- HUBS present
- Members of various ward committees
- NGO's, CBO'S etc.
- Taxi Associations
- Farmers
- Youth
- Members of the media
- Distinguished guests
- Ladies and gentlemen

It gives me pleasure to rise and present budget for 2011/2012 financial year on behalf of Msinga Municipal before these numbers of Msinga people who are gathered here today. First of all I wish to thank our councillors for their advance action of adopting this budget so early unanimously on 2012/05/23. This is an indication of their professionalism in dealing with important municipal matters. To approve or adopt budget timorously is the requirement which is stipulated in the Municipal Financial Management Act. No 56 of 2003. As the political head in this municipality it is my responsibility to advise the entire community of Msinga about all programmes regarding the performance of this municipality.

I present this budget before you with a big confidence because as from the beginning of the current financial year to date we bring government to the people through Mayoral programme of actions which were conducted in all wards. Members of the community in all wards were given an opportunity to express their views regarding development in this municipality “**SIQHUBEKA LAPHO SIGCINE KHONA, NGESIKHULU ISIVININI**”. Both draft Budget and IDP have been presented to community for comments through advertisement in various newspapers and also during Mayoral imbizos. They were both unanimously accepted by members of all various wards in our area of jurisdiction. We therefore gathered here today to celebrate official approval of Budget and IDP for 2011/2012 and also to be informed about municipal performance during 2010/2011 financial year.

2. MSINGA MUNICIPALITY’S MISSION AND ITS VISION STATEMENT

VISION

Msinga Municipality will strive to achieve corruption-free, eradicate poverty, enhance integrated and sustainable development

MISSION

Msinga Municipality will strive to provide good health, human development, sustainable environment through the provision of adequate infrastructure in partnership with Traditional Leadership and other stakeholders

In addition to the above, the following components have been identified as being key to the development of the communities of Msinga.

- ✚ Poverty alleviation and the provision of employment opportunities
- ✚ Empowerment
- ✚ Economic Development
- ✚ The satisfaction of basic needs and the provision of services
- ✚ Education and Training
- ✚ Sustainable Municipality
- ✚ Participation of all citizens
- ✚ Safe and sustainable environment
- ✚ Youth development
- ✚ Safe adequate housing
- ✚ HIV/Aids effects

3. MSINGA MUNICIPAL PERFORMANCE REPORT FOR 2011/2012

Msinga Municipality always ensure that it makes promises for things that it can afford to do for the benefit of its community. This brief report can be regarded as an achievement for such municipality which has no source of income. This report is structured in accordance with **Municipal Key Areas/ Indicators** (KPA) for easy understanding and also to measure its performance in accordance with objects of establishment of local government as stipulated in section 152 of the Republic of South Africa Constitution Act no 108 of 1996- Chapter 07

4. PERFORMANCE OF THIS MSINGA MUNICIPALITY

During the reporting period it was ensured that “**Operation Sukuma Sakhe**” focus areas were addressed as its yardstick i.e. standard of comparison such as:-

- ✚ Job Opportunities
- ✚ Rural Development
- ✚ Education

- ⊕ Heath
- ⊕ Food security
- ⊕ Youth empowerment etc

Therefore Msinga Municipal annual performance report is arranged as follows:

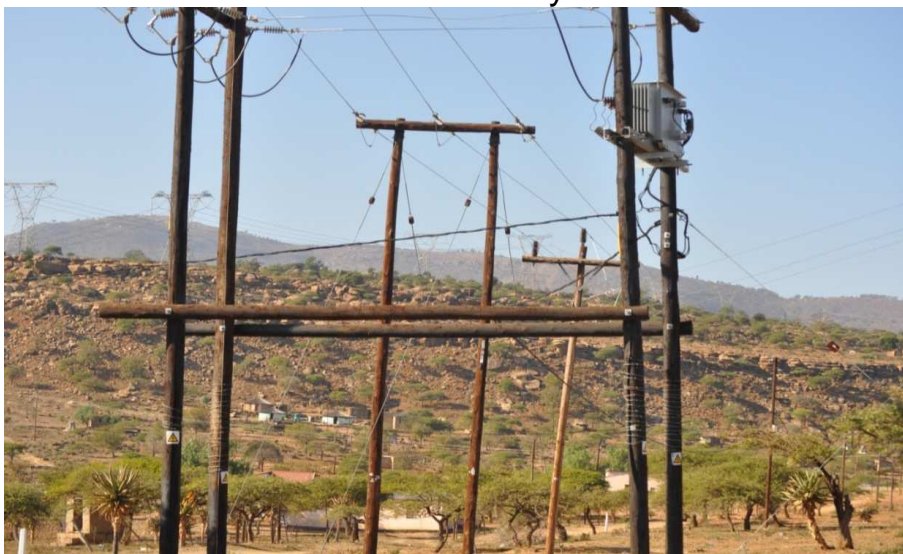
5. BASIC SERVICES DELIVERY

It is the responsibility of the local government to ensure provision of services to communities in a sustainable manner. To comply with this object, Msinga Municipality during the current financial has achieved the following basic services:

⊕ ELECTRIFICATION

Msinga Municipality was able to persuade the department of Energy and Eskom to electrify the whole ward 05 area as it is the second priority according to Municipal electricity master plan. This covers Mbabane area although other part has not covered as yet, but the largest part has been electrified. Uncovered areas will be included in the phase two of this project called “***Tugela Ferry Electrification Project***” according to Eskom.

- ⊕ Msinga Municipality has applied from the Department of Energy under the Schedule 6 programmes for Electrification of Madulaneni and Mathinta/ Mbabane areas. An amount R 7 000 000.00 was approved. It was divided into two and each area was allocated with R 3 500 000.00 and contractors are busy with connections.



ROAD CONSTRUCTION

Msinga Municipality regards access as a successful aspect as no project can be successful without road access. As a result this municipality during this reporting financial year decided to utilize 80% of MIG to construct the following access roads:

No	WARD	ACCESS ROAD	AMOUNT
1.	6	Buhayika Phase 2	R 2' 799 805.00
2.	4	Nkandla	R 1 997 061.00
3.	17/2	Mathumbu	R 3 494 160.00
4.	01	Mbubeni phase 2	R 5 207 448.00
5.	18	Mkhomeni	R 3 117 810.00
6.	16	Simelane Phase 2	R 3 008 492.00
TOTAL			R 19 704 776.00

INHOUSE CONSTRUCTION OF ACCESS ROAD

NO	WARD	ACCESS ROAD	AMOUNT
1.	3	Shabile	R 988 634.00
2.	14	Mkhuphulangwenya	R 1 705 956.00
3.	16	Simelane phase 1	R 1 266 709.00
4.		Swelamanzi	R 1 540 658.00
TOTAL			R 5 501 957.00



Mkhomeni access road



MATHUMBU



BUILDING OF HOUSES FOR NEEDY PEOPLE

It is not responsibility of the local Municipality to provide houses to people. However due to an urgent need, also unsafe and unhealthy environment to other people Msinga Municipality was compelled to give support to the following needy families in terms of chapter 03 of Act no 108 of 1996.

NO	WARD	BENEFICIARY INVOLVED	AMOUNT
1.	7	Dumakude family	R 92 613 .00

2.	7	Mkhize	R 98 890.00
3.	8	Dumakude	R 99 791.00
4.	8	Mkhize	R 99 791.00
5.	11	Zondi	R 99 400.00
6.	14	Mkhize	R 49 908.00
7.	14	Radebe	R 48 782.00
8.	19	Magubane	R 49 545.00
TOTAL			R 638 715.00





Dumakude house in ward 08

CONSTRUCTION OF SCHOOL CLASSROOMS

This Municipality has managed to support the department of Education by construction of the following classrooms on behalf of the community.

NO	WARD	BENEFICIARY INVOLVED	AMOUNT
1.	1	Ngabayena	R 98 000.00
2.	2	Mthintandaba (2 classrooms)	R 1973 63.00
3.	4	Mpumlwana school (1 classroom)	R 99 497.00
4.	6	Mgabadeli school (2 classrooms)	R 197 662.00
5.	13	Fisokuhle school (2 classrooms)	R 197 662.00
6.	12	Hlanganani school/ Msitha (1 clas	R 100 000.00
TOTAL			R 890 184.00



BUILDING OF CRÈCHES

This municipality has also managed to build the following crèches on behalf community.

NO	WARD	NAME OF THE CRECHE	AMOUNT
1	3	Mkhamo Crèche	R97 313.00
2	8	Ntanyana crèche	R98 890.00
3	10	Shelembe crèche	R99 322.00
4	11	Ekucabangeni crèche	R99 206.00
5	12	Esiholweni crèche	R97 550.00
6	14	Ezingulubeni crèche	R99 552.00
7	16	Mngeni crèche	R99 698.00
8	17	Pomeroy crèche	R99 440.00
9	18	Zimbidlini crèche	R97 999.00
10	19	Bambanani crèche	R98 995.00
TOTAL			R987 965.00



OTHER PROJECTS

Construction of Nkolovu Hall ward 15= **R197 661.00**

D. LOCAL ECONOMIC DEVELOPMENT

To provide social and economic development is part of local government object. To comply with this object Msinga Municipality has established various ways of promoting local economy:-

✚ *Empowerment Of Local Suppliers*

37 Mayoral Imbizo for public participation as well s encouragement for involvement of communities and community organisation in matters of local government have been conducted in various wards. During these events 80 indigent people per an event were provided with food parcels for food security programme. Local service providers were utilized for this purpose:- OK Groceries, and Khonzinkosi Spar for wards 3,4,5, and 14 Pomeroy Wholesalers for wards 1,2,16,17,18 and 19, Zankosi Trading Store, wards 6 and 7, Phakamani store wards 7& 9 and Keates Drift store- wards 8,10,11,12 and 13.

Total Expenditure: R 1'591 000.00



An amount of R 80 000.00 was allocated under vote 001/381/000 to entertain councillors when attending council meetings. Local caterers are given opportunity to cater for their services on rotational basis due to number of them

✚ ***Empowerment Local Caterers***

In each imbizo ward caterers were utilized for labour only R 5000.00 X 37 **R 185 000.00**. Groceries for entertainment were bought from both Inkanyezi OK Groceries and Khonzinkosi Spar

R 13 000.00 X 37 = R 481 000.00

✚ ***Hiring Of Tents***

Hiring of tents to accommodate 600 people are hired from two local services providers viz:- Amazwe from ward 13 and Bhekanikuye from ward 05 and **R 6 500.00 X 37 R 240 500.00**

✚ **Empowerment Local Ward Artists**

At each ward Mayoral Imbizo ward committees are encouraged to organize local groups to perform during their event. R 9000.00 was allocated per ward and 37 events conducted **R 333 000.00**

SPECIAL PROJECTS

This Municipal councillors during the reporting period has come out with another excel idea of promoting local artist in all categories through his worship the Mayor's discretion. They have established competition for local artists.

- ✚ Traditional dance
- ✚ longoma
- ✚ Isicathamiya
- ✚ Gospel etc.

During this period two competitions have been conducted viz: - **Ingoma and gospel**. Awards were arranged as follows:-

✚ 1 st prize:	R 25 000.00
✚ 2 nd prize:	R 20 000.00
✚ 3 rd Prize:	R 15 000.00
✚ 4 th Prize:	R 10 000.00
✚ 5 th prize:	R 5 000.00
Total:	R75 000.00

These two competitions were held at Mbabane area (ingoma) and Pomeroy sport field (Gospel)



Agricultural Support

Since people of this Municipality rely mainly on agriculture or farming. The municipality ensures that certain amount is allocated in each ward in order to support local farmers in fencing, ploughing their fields and also provide necessary water pumps were required an amount of **R670 000.00** was spent in this support. Each ward was allocated **R 35 263.00**



E. GOOD GOVERNANCE AND PUBLIC PARTICIPATION

As I have mentioned that 37 Mayoral Imbizo's were conducted during this current financial year. They were attended by more 600 people from each ward. Other local stakeholders: Amakhosi, Izinduna, Ministers of Religions, CDWs, Government Departments, NGO etc. participated. There is good co- operation between this Municipality and other local stakeholders in terms of Chapter 3 of Act no 108 of 1996 (Constitution of the Republic of South Africa)









1.**Photographs:** Constable Ngobese-Saps Helpmekaar, -Department of Health and the CDW Miss S Dumakude. Mr M Ndlovu:- Department of Agriculture, Mr Ngwenya- Dept of Home Affairs, CDWs Miss Z Mthethwa, Miss N mzolo and Miss N Ndimande, Miss L Sithole- Social Development, Mr Ntanzu COGTA, Mr Shange- Philanjalo, Isilo sabeNguni Inkosi S Mchunu, Inkosi S Mthembu and Izinduna and Inkosi DT Mtungwa.

MUNICIPAL COMMITTEES

Msinga Municipality has established the following committees to enable it to function effectively and efficiently

- ✚ Full council
- ✚ Executive committees
- ✚ Finance portfolio committee
- ✚ Administration portfolio committee
- ✚ Technical portfolio committee
- ✚ Development portfolio committee
- ✚ MPACT municipal public account committees
- ✚ Audit committees

STATUS OF MUNICIPAL COMMITTEE MEETINGS

EXCO MEETINGS

1. 2011/09/11
2. 2011/07/06
3. 2011/10/19
4. 2011/12/07
5. 2011/12/10
6. 2012/02/29
7. 2012/05/30
8. 2012/03/20
9. 2012/04/25
- 10.2012/05/30

FULL COUNCIL MEETING

1. 14/09/2011
2. 13/02/2012
3. 23/05/2012

DEVELOPMENT PLANNING

1. 24/08/2011
2. 14/02/20212
3. 09/03/2012

TECHNICAL

1. 09/03/2012
2. 13/03/2012

SCOPA- MPAC

1. 23/03/12

AUDIT COMMITTEE

1. 19/03/2012
2. 29/02/212
3. 07/05/2012

ADMINISTRATION

1. 07/05/2012

WARD COMMITTEES FUNCTIONALITY

Msinga municipality has managed to establish 19 ward committees after 18 May 2012 local government elections. Their ordinary are held on monthly basis. Their existence was tested by honourable speaker SG Masimula in the presence of all ward councillors on 28/05/2012 and all of them who were present at the said meeting signed the “**code of conduct**” for all ward committee members.

At the same meeting the following sector ward committee forums were established

- ✚ Youth forum
- ✚ Transport
- ✚ Minister of religion
- ✚ Agriculture and Environmental
- ✚ Health and social development
- ✚ Disabled
- ✚ Women’s forum
- ✚ Senior citizen forum
- ✚ Sport and recreation forum
- ✚ Traditional forum
- ✚ Business people forum

E. MUNICIPAL FINANCE VIABILITY AND MANAGEMENT

Management of finance in this Municipality is always in the satisfactory manner since even audit report 2010/2011 we obtain unqualified opinion from the Auditor-General.

F. OTHER IMPORTANT ACHIEVEMENTS

✦ INDIGENT REGISTER

This Municipality has managed to establish its indigent register during the reporting financial year. Each ward has its indigent register in order to facilitate indigent register management. As a result of this register this municipality has easily selected 100 needy people who were required by the Department of Cogta for food waste programme. These people are employed in Pomeroy (30) Tugela Ferry (30) and Keates Drift (40) for street cleaning.

- ✦ Other indigent people are being supported on daily basis on Mayor's discretion whenever requests are received. An amount of **R 159 382 .00**
- ✦ An amount of **R 2 060 840.00** was allocated in order to subsidies 1900 indigent people to pay rent for solar panels.
- ✦ 400 indigent people have been employed in various access roads constructed by this municipality for repairs and maintenance: an amount of R 2 880 000.00 was spent in this programme.





✚ **DISASTER MANAGEMENT**

Disaster management is shared function between the district and local municipality. However, this Municipality during this current financial managed to assist number of victims who were affected by minor disaster such as burning of dwelling houses, vehicle collisions etc. An amount of

R 80 000. 00 was spent in this support



Disaster team and the Municipal Fire rescue team

HIV/ AIDS SUPPORT

This municipality has established HIV/ AIDS council in order to advise affected people. Meetings are conducted quarterly. Number of people involved have benefited in good advices by counsellors and also food parcels from this Municipality. An amount of R100 000.00 has been spent in this support.



✚ PAUPER BURIALS

An amount of R200 000.00 was allocated in order to assist needy people to bury their loved ones.

✚ YOUTH SUPPORT

An amount of R 1'000 000.00 was allocated in order to support youth in various projects:-

✚ Office experience =	R228 000.00 (<i>Volunteers</i>)
✚ Registration fees in tertiary institutions=	R 190 000.00
✚ Youth projects within wards=	R 570 000.00
✚ Computer skills=	R 12 000.00

Youth support- Sports and recreation

An amount of R 400 000.00 was also allocated in order to support youth in various sport codes and purchase of sport kits.



Programme director this end of the brief Municipal performance report and supporting records or relevant documents are available in our offices for reference or perusal.

Lastly an amount of R 1 200 000.00 under special projects has been set aside for this function.

6. BUDGET ALLOCATION FOR 2012/2013 FINANCIAL YEAR

Programme Director I am very glad to table before our community the budget allocation for 2012/2013 financial year, with a hope that it will be most beneficiary to it (community). Msinga Municipal council did its best to satisfy large part of community needs from all various wards as submitted by ward committees during Mayoral Izimbizo conducted in their places.

Our budget comprises of both income and expenditure and it is also in two folds viz:- Operational and Capital Budget:

6.1. STATUTORY REQUIREMENTS

In terms of Section 10(G)(4) of the Local Government Transition Act, Second

Amendment Act, 1996 (Act 97 of 1996) the Council shall submit to the Minister of Finance within 14 days from the adoption thereof by Council for the purpose of monitoring whether the maximum expenditure limits have been complied with. Provided that the Minister of Finance may delegate this monitoring function to the MEC responsible for Finance.

Section 10(G)(4) of the Act mentioned above provides that “in so far as it may be essential for the pursuit of the national economic policy, the Minister of Finance, after consultation with the Minister, determine

maximum expenditure limits for the budgets or components of such budgets of municipalities for a financial year.”

The Minister of Finance has therefore set the maximum expenditure increases of 6% for each of the capital, special and trust funds and operating budgets.

These restrictions do not take into consideration new municipalities that have been recently established as ours, resulting in some functions not efficiently, effectively and efficaciously being performed.

The Budget consists of both revenue and expenditure, and it is divided into operation and capital. As I have mentioned that Msinga Municipality relies on grants from both National and Provincial government its source for support services is as follows:-

7. BUDGET PRINCIPLES / METHODS



SALARIES, WAGES AND ALLOWANCES

A provision of 8% increase has been made in staff salaries, wages and allowances.



COUNCILLOR SALARIES AND ALLOWANCE

The provision for Councillors salaries, allowances and benefits have been based on Government gazette draft Notice No. R 1224 for the

determination of the upper limits of the salaries, allowances and benefits of the different members of the municipal council. A provision of 6% increase has been made although this may not be realized.

8. RESOURCE SUPPORT SERVICES

✚ OPERATING INCOME

TARIFF OF CHARGES

Refer to tariff of charges.

EQUITABLE SHARE

An amount of R 69 621 000 has been allocated to the Msinga Municipality for the financial year 2012/2013.

9. GRANTS

✚ Financial Management Grant

An amount of R 1 500 000 has been allocated to Msinga Municipality.

✚ Municipal System Infrastructure Grant

An amount of R 800 000 has been allocated to Msinga Municipality.

10. OPERATING EXPENDITURE

The total operational expenditure amounts to R 72 735 500.

11. CAPITAL BUDGET (PROJECTS)

The total capital projects is R31 065 000 for the 2012/2013 financial year.

12. OPERATIONAL BUDGET

Operational budget refers to projects or activities that are done on daily basis or minor projects. I would like to inform this community today that we still rely on grants and equitable share to run our Municipality since there is no revenue base in this area as yet. Fortunately our equitable share for this financial year has been increased from R **61 218 000.00 to R 69 000 000.00**. As a result certain allocations per vote have been also increased as compared with that of previous financial year, as you will notice in the detailed allocation.

Our budget is structured per the following votes; each vote consists of number of items and votes refer to departments within the Municipality.

VOTE	DEPARTMENT
001	COUNCIL GENERAL
002	ASSESSMENT RATES
005	GRANTS AND SUBSIDIES
010	MUNICIPAL MANAGER
020	CORPORATE SERVICES
060	PROPERTY SERVICES
070	MULTI SKILLS CENTRE
080	COMMUNITY HALLS
090	TOURISM SERVICES
100	COMMUNITY SERVICES
110	STRATEGIC PLANNING

120	HEALTH SERVICES
130	SAFETY SERVICES
210	FIRE/ ERMEGENCY SERVICES
300	FINANCE SERVICES
400	TECHNICAL SERVICES
410	TOWN PLANNING
420	BUILDING REGULATIONS
430	ROADS
560	REFUSE REMOVAL

Programme director I would not dwell to each vote as mentioned as that can take time, but I will only focus on budget allocation which are directly beneficiary to community as the following:-

VOTE	ITEM	DESCRIPTION	AMOUNT
130	372	Awareness programmes: this allocation has been increased due to the high rate of disaster in the Municipality and also COP 17 requirements	R1 500 000.00
120	374	HIV/ Aids Awareness Campaigns: same as previous financial year. To advise affected people and also support them with food parcels	R 100 000.00
130	375	Disaster Management- This amount has been increased as compared with the previous financial year. To provide relief to the families affected by various disasters	

			R 120 000.00
005	394	Indigent support- This has been increased due to the number of indigent people in the municipality	R179 080.00
001	405	Relief fund. This amount has been increased as compared with the previous financial year to provide support to local artists in order to develop their indigenous talents and skills and food parcels to needy people.	R2 5000 00.00
120	420	Support on pauper burial same as previous financial year as number of allocations have been made in other voted and items for similar purpose	R200 000.00
110	448	Special Projects- Same as the previous financial year. It is utilised on Mayoral discretion e.g. To support orphans widows and other projects and promotion of local artists	

			R2'000 000.00
100	449	Youth Projects- This allocation has been increased as compared with the previous financial year to support youth in various projects as follows: <ul style="list-style-type: none"> ❖ Registration fee ❖ Computer skills R587 993.00 ❖ Office exposure R 342 000.00 ❖ Other projects R 570 000.00	R 1 500 000.00
100	450	Sports and recreation- This amount has been increased in order to encourage sport, indigenous knowledge system and purchase of sports and recreation kits	R636 862 00.00
100	454	Ploughing costs: same as previous financial year since	

		there is still a need of this service in various wards	R300 000.00
100	452/460	Agriculture projects: same as previous financial year to support famers with seed, fencing, water pumps etc.	R 370 000.00
001	480	Ward committee management: Same as previous financial year in order to support ward committees functionality. Eg Meeting and training attendance	R75 000.00
005	554	Free basic electricity- This amount has been increased compared to previous financial year. This is utilised to subsidies indigent people in solar panels rental and payment of electricity.	R 2 500 000. 00
005	555	Free basic services: This allocation has been increased as compared with the previous financial year. This is used for in-house infrastructure. EG. Construction of crèches, Classrooms, fencing, houses for indigent people etc for this	

		financial year.	
			R 4 000 000.00
005	140	Disaster fund: Housing. This is new allocation to assist during disaster problem	R 250 000.00

**R200 000-00 INFRASTRUCTURE PROJECTS FROM VARIOUS WARDS
2012/2013 FINANCIAL YEAR**

WARD	PROJECTS	AMOUNT
1	<ul style="list-style-type: none"> • Mumbe Creche • Fencing Obisini crop land 	R100 000-00 R100 000-00
2	<ul style="list-style-type: none"> • Nkankwini Crèche • Ntuli B four roomed house 	R100 000-00 R100 000-00
3	<ul style="list-style-type: none"> • Shabile Crèche • Esikhaleni Classroom 	R100 000-00 R100 000-00
4	<ul style="list-style-type: none"> • Creche • Four roomed house 	R100 000-00 R100 000-00

5	<ul style="list-style-type: none"> • Nogawu Creche • Maromeni water pump 	R100 000-00 R100 000-00
6	<ul style="list-style-type: none"> • Landulwazi Crèche • Four roomed house 	R100 000-00 R100 000-00
7	<ul style="list-style-type: none"> • Four room house • Four room house 	R100 000-00 R100 000-00
8	<ul style="list-style-type: none"> • Nkobongweni Creche • Dumakude Four room house 	R100 000-00 R100 000-00
9	<ul style="list-style-type: none"> • Somveli H School classrooms 	R200 000-00
10	<ul style="list-style-type: none"> • Community Hall 	R200 000-00
11	<ul style="list-style-type: none"> • Mawozini Creche • Enyonini Creche 	R100 000-00 R100 000-00
12	<ul style="list-style-type: none"> • Khohlwa Creche • Sphindelweni Creche 	R100 000-00 R 100 000-00
13	<ul style="list-style-type: none"> • Two Classrooms Inkayishana School 	R200 000-00
14	<ul style="list-style-type: none"> • Houses 	R200 000-00
15	<ul style="list-style-type: none"> • Two classrooms Bhazamani 	R200 000-00
16	<ul style="list-style-type: none"> • Phohlozana Creche • Fencing of crop lands 	R100 000-00 R100 000-00
17	<ul style="list-style-type: none"> • Fencing of Mbindolo Cropland • Construction of one Crèche 	R100 000-00 R100 000-00

18	<ul style="list-style-type: none"> • Mcogisa Creche • Mthaleni Creche 	R100 000-00
		R100 000-00
19	<ul style="list-style-type: none"> • Egejene Crèche • 2 X two roomed house Nxusa & Kheswa 	R100 000-00
		R100 000-00

13. CAPITAL PROJECTS

This refers to major or infrastructure projects for 2012/2013 financial year. They range as follows:

MIG FUNDING

NO	WARD	PROJECT	AMOUNT
01	09	Sithozini Access Road	R 6 000 000.00
02	10	Ngqungqulwini Access Road	R 3 500 000.00
03	13	Nembeni Access ROAD	R 6 000 000.00
04	14	Emahhashini Access ROAD	R 3 000 000.00
05	18	Ntabampisi Access Road	R 2 500 000.00
06	17	Updrading of Pomeroy Sportfield	R 6 000 000.00
07	19	Shiyane Sportfield	R 2 500 000.00
	TOTAL		R 29 500 000.00

IN- HOUSE FUNDING

NO	WARD	PROJECT	AMOUNT
01	05	Mbubu access Road	R1 000 000.00
02	04	Nsimbini Access Road	R 1 000 000.00
03	13	Nokwetana Access Road	R 1 000 000.00
04	03	Repairs of Esijozini irrigation scheme	R 1 000 000.00

TOTAL	R 4 000 000.00
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✚ PURCHASE OF CAPITAL EQUIPMENT

EQUIPMENT	AMOUNT
1. Office furniture	R 200 000.00
2. Office computer	R 200 000.00
3. Roller	R1 000 000.00
4. Grader	R 2 000 000.00
5. Water Tanker	R 1 000 000.00
TOTAL	R 4 400 000.00

The total budget for the financial year 2012/2013 is **R 103'800 500.00**

Programme director, AmaKhosi, councillors and entire community of Msinga this budget I have tabled to you is for local municipality's core functions and other spheres of government have included in their IDP and document is available in our offices.

In conclusion I wish to express my heartfelt gratitude to all stakeholders and members of the community for attending this significant function.
Thank you

ISSUES RAISED BY THE AUDIT- GENERAL IN AUDIT REPORT FOR THE YEAR ENDED 30 JUNE 2012 IN TERM OF SECTION 131 OF MUNICIPAL FINANCE MANAGEMENT ACT NO. 56 OF 2003.

1. A copy of the report of the Auditor-General for the year ended 30 June 2013 is forwarded herewith for your information.
2. Issues raised by the Auditor General and responses are as follows:-

**Report on other legal and regulatory requirements.
predetermined objectives**

Consistency

A total of 55% of planned objectives, 70% of indicators and 82% of targets were not consisted with objectives, indicators and targets as per the approved Annual Performance Report relative to the Integrated Development Planning (IDP). This is due to the lack of understanding of the requirements of Section 41(1) (c) of the Municipal Systems Act, which requires that the IDP form the basis for the annual report.

Correction/ response: The Strategic Planning process for 2012/2013 has been improved by including all Municipal projects planned for implementation during 2012/2013 financial year as per attached copies. The Municipal Manager and Managers reporting direct to the Manager have all signed performance agreements for the said financial year that are regarding as monitoring tools for this compliance and they are reporting their performance on monthly basis. Furthermore His Worship the Mayor has also approved SDBIP for the same financial year which drives budget and IDP within this Municipality.

Compliance with laws and regulations:

The audit committee did not substantially perform for the year as required by Section 166 of MFMA

Response/ correction: The audit committee has been established and is busy planning its work in order to be able to function as required by the said Act. Last financial year 2012 it managed to have two meetings another meeting has been scheduled for 18/01/2013 where by His Worship the Mayor, Mr Mncube from the Department of COGTA, Internal Auditors and all Heads of a Municipal Departments has been invited to participate. The main purpose of this meeting is to finalize audit committee planning and scheduling dates for 2013/2014 financial year.

Internal audit

The internal audit unit did not substantially perform its function for the year, as required by Section 165 of the MFMA.

Response: This has been achieved, their performance is now prepared on monthly basis and all their reports will be referred to the audit committee for perusal. Arrangements are being made by the Municipal Manager to appoint one of the existing internship to act as the official responsible to deal with all issues raised by the internal auditors.

Internal control

Leadership

Management did not exercise effective controls over the preparation, review and reconciliation of the financial records as well as reporting of performances against predetermined objectives. This is evidenced by material correction in the financial statements and material findings on the usefulness of annual performance report.

Response/ corrections: The responsible committee known as MPAC has been established at this stage it has decided to hold its meetings on monthly basis due to backlogs and necessary trainings. The first meeting was on 2013/01/11 and the next one will be on 2013/01/22.

NB. This Auditor General Report will be tabled at council special meeting to be held on 2013/01/30.